

Message Text

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AMEMBASSY LONDON

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AMEMBASSY VIENNA

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALIAN INFLATION INSURANCE PROGRAM FOR
EXPORTS

REF: A. LONDON 2984

B. STATE 47207

C. GENEVA 1365

PASS TREASURY VIENNA FOR DIETZ

1. SUMMARY. IN REGARD TO CURRENT INTEREST IN PROPOSED
EXTENSION OF UK EXPORT INSURANCE PROGRAMS TO COVER COST
INFLATION, SUMMARY OF SIMILAR ITALIAN PROGRAM AND INDICA-
TION OF EXTENT OF OTHER NATIONAL PROGRAMS FOLLOWS.
END SUMMARY.

2. LEGISLATION: ITALY'S LATEST EXPORT CREDIT LEGIS-

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LATION, LAW 131 OF FEBRUARY 28, 1967, WHICH REPLACED

LAW 635 OF 1961, PROVIDES FOR INSURANCE COVERAGE OF CERTAIN SPECIAL COMMERCIAL RISKS INCLUDING "COST INCREASES." LANGUAGE IN ARTICLE 7 OF LAW 131 DESCRIBES THIS RISK AS DUE TO: "INCREASES IN PRODUCTION COSTS DERIVING FROM CIRCUMSTANCES OF A GENERAL NATURE ARISING DURING THE PREPARATION OF THE ORDER OR THE EXECUTION OF THE PROJECT." THE 1961 LAW CONTAINED A SIMILAR PROVISION.

3. COVERAGE: ITALIAN INTERMINISTERIAL DECREE OF JULY 3, 1967, ARTICLE 7, SPECIFIED LIMITS OF COVERAGE. COST CHANGES FROM 5 PERCENT TO 15 PERCENT WERE TO BE INSURABLE, WHEREAS COST INCREASES UP TO 5 PERCENT WERE TO BE COVERED BY EXPORTER ITSELF. (THE 1961 LAW PROVIDED MORE LIMITED COVERAGE FROM 5 PERCENT TO 10 PERCENT.)

4. FEES: SEPARATE FEE IS CHARGED TO EXPORTERS BY EXPORT CREDIT INSURANCE AGENCY (INA), WHICH ADMINISTERS THIS PROGRAM, FOR "PRODUCTION COST" COVERAGE. FEE SCHEDULE IS NOT KNOWN.

5. PROGRAM ACTIVITY: ACCORDING TO INA OFFICIALS, USE OF THIS PROGRAM WAS EXTENSIVE IN RECENT YEARS. ONLY MODEST AMOUNT IN PAYMENTS FOR CLAIMS UNDER PROGRAM HAVE BEEN PAID AS OF THIS DATE (LESS THAN 50 MILLION LIRE, OR APPROXIMATELY \$80,000 AT LIRE/DOLLAR EXCHANGE RATE OF \$1.00 EQUALS 630 LIRE). HOWEVER, OFFICIALS EXPECT THAT "SUBSTANTIAL" AMOUNTS OF INDEMNIFICATION WILL BE PAID TO EXPORTERS UNDER PROGRAM DURING NEXT FEW YARS. IN FALL OF 1974, INA COMPLETELY SUSPENDED OPERATION OF PROGRAM AND DOES NOT INTEND TO RESTORE AVAILABILITY OF COVERAGE IN IMMEDIATE FUTURE.

6. OTHER NATIONAL PROGRAMS: INA OFFICIALS WERE WELL INFORMED ABOUT DETAILS OF PROPOSED UK INSURANCE PROGRAM TO COVER "COST INFLATION." IN REPLY TO EMBASSY QUESTION, OFFICIALS INDICATED THAT GOVERNMENT EXPORT CREDIT INSURANCE AGENCIES IN FINLAND, SPAIN, AND FRANCE ALSO HAVE SIMILAR PROGRAMS. INA OFFICIALS ADDED THAT THEY ARE AWARE THAT JAPANESE EXPORT CREDIT INSURANCE AGENCY IS CURRENTLY LIMITED OFFICIAL USE

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EVALUATING POSSIBILITY OF OFFERING SUCH INSURANCE. IN RESPONSE TO QUERY, EMBASSY OFFICER REPLIED THAT WE WERE NOT AWARE OF ANY INTEREST BY US EXPORT-IMPORT BANK AND ITS AFFILIATED INSURERS IN SUCH A PROGRAM. VOLPE

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